



## MINUTES

Meeting called to order at 9:05am

**Board Members Present:** Tim Burgess, Chair, Robert Harvey, Rod Rich, David Stewart, Lou Walter, Glen Lee

**Board Members Absent:** Jean Becker

**Staff Present:** Cecelia M. Carter, SCERS Executive Director, Mike Akiyama, SCERS; Tony Smith, SCERS; Ben Kalman, SCERS; Beverly Yapp, SCERS; Lisa Carns, SCERS; Carlton Seu, Seattle City Attorney's Office

**Others Present:** Mike Monaco, Song Mondress Law Firm; John McCoy, Legislative Department; Steve Kovac, Seattle City Light; Tom Kirn, Finance and Administration Services; George Emerson, Finance and Administration Services; Judith Fleming, ARSCE; Kirk Jones, ARSCE; Joanne Kinsella, ARSCE; Jim Taylor, ARSCE; Barbara Graham, ARSCE; Sharon Howell, ARSCE; Diana Douglas, Local 17; John Masterjohn, Retiree.

**Public Comment:** Judith Fleming from ARSCE requested the Board reconsider providing information about the retiree's death. ARSCE requested that SCERS staff provide the name, age, department, and date of death. Ms. Barbara Graham from ARSCE reiterated Ms. Fleming's request.

### Minutes:

Provided in the Retirement Board packet were the minutes from the January 10, 2012 Retirement Board Regular Meeting.

**Motion:** Upon motion by Rod Rich, seconded by Bob Harvey, the Retirement Board approved the minutes from the January 10, 2012 Retirement Board regular meeting.

### Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals:

**Information:** The following items represent normal expenses and nothing extraordinary.

<b>Service</b>	\$9,652,923.38
<b>Beneficiary</b>	\$906,654.66
<b>Disability</b>	\$78,636.43
<b>Pension Payroll – PPE December 31, 2011</b>	<b>\$10,638,214.47</b>

<b>Office Payroll – PPE December 6 and 20, 2011</b>	<b>\$ 114,483.08</b>
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<b>Vouchers Processed – December 31, 2011</b>	<b>\$1,309,322.61</b>
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- \*Expert and Consultant Services – \$164,123.07
- \*Investment Management Fees – \$1,006,215.90
- \*Interdepartmental Charges - \$69,642.12
- \*Miscellaneous - \$69,341.52

### **Immediate Withdrawals of Contributions for the month of January 2012:**

Member	Department Name	Position
Minkler, Douglas	Seattle Center	Painter
Rooks, Michael J	City Light	Auto Mechanic
Mohammed, Nasra A	Library	Library Assoc I
Jackson, Christina J	SDOT	Intern

Member	Department Name	Position
Person Jr, Ara	SCL	Director Exec 2
Nadeau, Michael D	SPU	Truck Driver
Booth, William E	SPU	Sr Risk Analyst

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status. **Withdrawals for a total of: \$176,703.88**

**Motion:** Upon motion by Glen Lee, seconded by Rod Rich, the Board ratified the Retiree Payroll, Office Payroll, other Payments and Withdrawals.

### **Ratification of Service Retirements:**

**Information:** The following list represents the retirements that have been processed since the last Retirement Board meeting.

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Berrian,David B	1/4/2012	9	349	Human Services	Proj Fund & Agreemts Coord	66
Childs,Vicki A	1/4/2012	17	31	FAS	Executive 2	62
Doane,Toni S	12/28/2011	2	91	Vested	Portability	62
Frost Jr., George	1/4/2012	15	292	SDOT	Capital Prjts Coord	62
Fuller,Gregory D	12/22/2011	11	37	Law	Asst City Attorney	64
Gibson,Janet K	1/2/2012	20	114	Vested	Vested	57
Holden,Ted J	12/21/2011	20	212	Parks	Landscape Architect Sr	64
Huus,Kathryn A	12/16/2011	5	358	Vested	Vested	66
Johnson,Gerald D	1/4/2012	34	174	City Light	Hydroelec Op II	55
Keller, James R.	1/4/2012	39	94	K.C. Metro	IT Customer Service Director	62
Knutsen,Sheila M	1/3/2012	27	293	Library	Librarian	73
Lyle,Luther A	1/4/2012	21	203	FAS	Licenses & Standards Inspector	61
Moimoi,Litani	12/10/2011	6	61	Parks	Laborer	65
Nogaki,Kurt W	1/4/2012	29	91	City Light	Lineworker	62
Norton,Karen D	12/8/2011	7	266	Vested	Vested	64
Osaka, Gale Y.	1/3/2012	32	341	K.C Health	Health Enviornmental Investigator	57
Petty,Sharon	12/8/2011	28	184	Municipal Courts	Admin Spec II	60
Small,Angela G	1/3/2012	26	38	Vested	Vested	54
<b>Veetutu,Viliani N</b>	1/4/2012	<b>34</b>	<b>37</b>	<b>Police</b>	<b>Maint Laborer</b>	<b>68</b>
Vuong,Harry D	12/31/2011	30	155	K.C. Health	PH Interpreter	66
Weimann,Gary	1/4/2012	36	150	DOIT	Info Tech Prof	58
Williard,Walter B	12/24/2011	30	0	Seattle Center	Facility Tech Supv	56

For the month of January: new 17 Members entered the System, 45 terminations, 22 Members retired in the System, 19 Members removed (\$22,638.13), 1 Option E pop-up, 1 Option D/E continuations, and 1 Option F.

**Motion:** Upon motion by Lou Walter, seconded by Glen Lee, the Retirement Board approved the service retirements listed above, pending final review.

## **Ratification of Investment Transactions and Statement of Securities and Cash:**

**Information:** Provided in the Retirement Board packet was the Investment Summary report that represents the transaction summary and the market value of the investments as of December 31, 2011.

Ms. Carter reported for the month of December 2011 the portfolio closed at \$1.766 billion dollars. For the month of December the portfolio reflected a change in net value of -28 basis points. For 2011 the SCERS portfolio reflected a change in net value of -306 basis points. This resulted in a funding ratio of 61.37% marked to market.

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board accepted the Investment Summary report.

## **Investment Committee Report:**

The Investment Committee met on Thursday, January 26<sup>th</sup> at 12noon in the Retirement Office located at 720 Third Avenue, Suite 900 (Pacific Building). Committee members present: Lou Walter, Chair, Robert Harvey, Rod Rich, David Stewart. Other Board members present: Jean Becker. Staff Present: Cecelia M. Carter, SCERS Executive Director; Tony Smith, SCERS; Ben Kalman, SCERS; Mike Akiyama, SCERS; Beverly Yapp, SCERS; Lisa Carns, SCERS; Carlton Seu, Seattle City Attorney's Office. Others present: Neil Rue, Pension Consulting Alliance, David Sancewich, Pension Consulting Alliance, Tad Ferguson, Pension Consulting Alliance.

Ms. Carter reported Mr. Neil Rue with Pension Consulting Alliance provided an overview of the proposed Non-US Equity Asset Class Structure review. The purpose of the review is to establish a blueprint for manager structure and allocation of the asset class.

Ms. Carter reported Mr. Tad Ferguson with Pension Consulting Alliance provided an overview of the Private Equity Portfolio Performance Report as of June 30, 2011. SCERS' private equity portfolio had a reported value of \$55.9 million dollars with an IRR of 5.1%.

Ms. Carter reported Mr. Neil Rue with Pension Consulting Alliance proposed that the Investment Committee update the Watchlist Guidelines to include the performance criteria for Covered Calls and Global Inflation-Linked Securities.

Ms. Carter reported SCERS staff and Pension Consulting Alliance staff reported on the due diligence conducted onsite with Guggenheim, PIMCO and Parametric. There were no areas of concerns.

## **Investment Activity Requiring Board Ratification and/or Recognition:**

### **Non-US Equity Asset Class Structural Review**

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board approved to change the Benchmark for the Non-US Equity Asset Class from the MSCI EAFE Index to the MSCI ACWI exUS IMI with an effective date of 1/1/2012, with an implementation date to be determined by staff as recommended by the Investment Committee on January 26, 2012.

**Motion:** Upon motion by Lou Walter, seconded by Rod Rich, the Retirement Board authorized Staff and/or Investment Consultants to issue a RFP for an Active Emerging Markets Manager as recommended by the Investment Committee on January 26, 2012.

**Motion:** Upon motion by Lou Walter, seconded by Rod Rich, the Retirement Board authorized Staff and/or Investment Consultants to issue a RFP for a Non-US Equity Manager for Developed Markets as recommended by the Investment Committee on January 26, 2012.

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board authorized the Staff to realign the DFA Small Cap Portfolio to bring it in alignment with the new Benchmark as recommended by the Investment Committee on January 26, 2012.

#### **Private Equity- 2<sup>nd</sup> Quarter 2011 Report**

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board accepted the Private Equity Second Quarter 2011 Asset Class Performance Report as recommended by the Investment Committee on January 26, 2012.

#### **Watch List Guideline Updates**

**Motion:** Upon motion by Lou Walter, seconded by Bob Harvey, the Retirement Board approved that the current Watch List Guidelines be updated to include the performance criteria for Covered Calls and Global Inflation Linked Securities as recommended by the Investment Committee on January 26, 2012.

#### **Executive Director Report:**

Ms. Carter reported there are two active Board member seats open for election. Nominations will open April 5, 2012 at 8am and close April 12, 2012 at 5pm. The notices will be posted to the SCERS website, on the annual statements mailed in March and two notices will be placed in the Daily Commerce Journal newspaper. The voting will be available online or by US mail.

Ms. Carter reported the SCERS Handbook and FAQ's have been updated. Copies were provided to the Board members. The handbook and FAQ's can also be obtained from SCERS' website.

Ms. Carter reported to the Board that on February 2, 2012 staff received a communication from Pension Consultant Alliance indicating they have been named a defendant in a \$95 million dollar law suit. Seattle City Attorney's office is monitoring.

#### **Status of Benefit Enhancements:**

**Information:** The estimated current funding level of the Retirement Fund is 61.37% as of December 31, 2011 on a marked-to-market basis.

The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

#### **New Business:**

##### **2012 Conferences and Educational Sessions**

Ms. Carter requested authorization from the Board of Administration for Board Members and appropriate staff to attend the following 2012 conferences and educational sessions:

- Council of Institutional Investors
- National Conference on Public Employees Retirement System(NCPERS)
- Government Finance Officers Association

**Motion:** Upon motion by Rod Rich, seconded by Lou Walter, the Retirement Board authorized Board members and appropriate staff to attend the following 2012 conferences and education sessions: Council of Institutional Investors, National Conference on Public Employees Retirement System and Government Finance Officers Association.

### **May Board Meeting Reschedule**

Ms. Carter reported there is a conflict with the NCPERS conference and the May Board meeting. Staff recommends the Board reschedule the May monthly Board meeting from May 10, 2012 to May 17, 2012 at 9am.

**Motion:** Upon motion by Bob Harvey, seconded by Lou Walter, the Retirement Board authorized the rescheduling of the May 10, 2012 Board meeting to May 17, 2012.

### **The Board reserves the right to enter into executive session if necessary**

The Board entered into executive session to discuss a report from City Personnel from 9:50am to 10:30am. At 10:30am Ms. Carter and Mr. Seu announced that the Board will be in executive session an additional 10 minutes.

Executive session ended at 10:39am. No action taken.

### **Adjournment:**

**Motion:** Upon motion by Glen Lee, seconded by David Stewart, the Retirement Board voted to adjourn the meeting at 10:40 am.

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David L. Stewart, Secretary